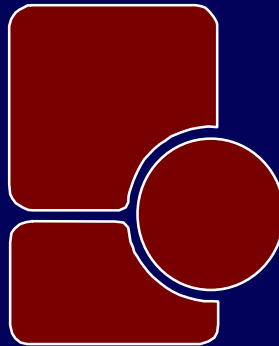


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**VRS Oversight:
1999 Semi-Annual Investment Report**

**JLARC Staff Briefing
July 12, 1999**

VRS Oversight Act

2

- Section 30-78 *et seq.* of *Code of Virginia* requires JLARC to oversee and evaluate VRS on a continuing basis
- Areas for review and evaluation include:
 - Structure and governance
 - Actuarial policy and actuarial soundness
 - Administration and management
 - Investment practices, policies, and performance
 - Semi-annual investment report required

Semi-Annual Investment Report

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- The market value of the fund's assets as of April 30, 1999 was \$34.6 billion
- Through April 1999, the fund's one year investment return of ten percent did not meet the performance benchmark for that period
 - However, the one year return exceeded the actuarial assumed return of eight percent
- In addition, the total fund's 17.2 percent three year and 16.7 percent five year investment returns slightly underperformed established benchmarks

Semi-Annual Investment Report

(continued)

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- The fund's one year performance is attributable to the fact that a relatively small group of securities were responsible for much of the increase in the public equity markets
 - Public equity markets continued to focus on large-cap, growth securities negatively impacting more diversified portfolios
- However, the total fund investment return for the 10 year period ending April 30, 1999 was 12.9 percent

Semi-Annual Investment Report

(continued)

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- **The VRS investment department has a number of initiatives in progress for the remainder of 1999 which include:**
 - **Beginning the process to bring all passive fixed income assets in-house under VRS management**
 - **Concluding the review of the non-U.S. equity program**
 - **Exploring additional international private equity investment opportunities**
- **Finally, the new investment operations unit will be fully operational providing the department with risk management, accounting, and administrative support**